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SUBJECT: OLD CAMPAIGN PROMISES HAUNT GOVERNMENT COALITION

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11. (SBU) Summary. A 2004 agreement between the Government of Suriname (GOS) and a Chinese company to set up a palm oil plantation in the eastern District of Marowijne still has not been implemented due to the GOS's inability to overcome local villagers' opposition to key aspects of the plan. The issue is compounded by the A-Combination Party, a minor coalition partner representing Marowijne, which originally ran on a platform opposing the investment scheme, but now supports the project. This issue illustrates the shifting nature of Surinamese political alliances, underscores the skepticism of Surinamers regarding the motives of their political representatives and the central government, and highlights the challenges of doing business in Suriname. END SUMMARY

12. (U) In January 2004, the Government of Suriname (GOS) signed a Memorandum of Understanding with the Chinese company China Zhong Heng Tai (CZHT) for a 40,000 hectare palm oil plantation in the district Marowijne. Under the agreement, the company was required to provide the government with a bank guarantee of US\$ 16.2 million before starting operations. Now, four years later, the project has not progressed, and the bank guarantee will expire in less than three months. If the guarantee expires, CZHT could file a lawsuit against the GOS to recover any losses incurred.

13. (SBU) The delays in implementing the project are due to the GOS's failure to secure the consent of local villages surrounding the concession. While legally the villagers' approval is not required, the GOS and CZHT are reluctant to move forward without it. The villagers initially presented an extensive list of concerns to the GOS, and the GOS has done its utmost to respond to the villagers' concerns.

14. (SBU) In February, Paul Rellum, lead negotiator for this project from the Ministry of Agriculture, told Embassy EconAsst that four government delegations failed to obtain concurrence for the project, even though most objections raised by villagers had been addressed. In reaction to the villagers' demands, the GOS:

- (a) set aside 12,000 hectares of the concession for hunting.
- (b) reassured villagers that the clear-cutting and palm planting would be done in monitored phases, to prevent the concession turning into a logging operation.
- (c) promised villagers that only 100 of the 5,000 jobs created would go to Chinese migrants.
- (d) guaranteed CZHT's salaries would be market-based, with some variation for performance.
- (e) redrew concession boundaries after two Maroon villages objected

that the concession infringed on their land rights.

¶5. (SBU) The real problem, according to Rellum, is more deeply rooted. The GOS signed the palm oil agreement in 2004 before the A-Combination party joined the coalition government. During the 2005 election, the A-Combination political party, whose support base is in the district of Marowijne, told constituents the plantation was unacceptable, and that it would ruin their living areas and chances for development. Parliamentarian Ronnie Brunswijk promised villagers if they voted for him, the project would be stopped.

¶6. (SBU) The A-Combination Party is now a part of the coalition government and has failed to convince the skeptical villagers of the project's benefits. Caprino Alendy, Vice Chair of the National Assembly and an A-Combination leader, was quoted in the press as stating the government was at fault for not communicating enough with the villagers. Rellum told EconAsst, however, that on one occasion when Alendy himself tried to explain the project's benefits, the villagers accused him of being two-faced and walked out of the meeting. The villagers have stated they will not talk to any A-Combination member about support for the project. (Note: In April 2006, the villagers staged a protest against the project and called for A-Combination parliamentarians to give up their seats in parliament. End Note.)

¶7. (SBU) When asked about the GOS's next steps, Rellum stated that he, along with staff of the Ministry of Regional Development and the Ministry of Physical Planning, Land and Forest Management, were preparing briefs for their Ministers. The Ministers will go to the District of Marowijne to address again the villagers' objections.

¶8. (U) The press has reported statements by Minister of Agriculture Kermechend Raghoebarsingh that there could be serious financial repercussions for the GOS if the project fails, and the GOS may have to amend the National Assembly's law granting the concession in order to relocate it to another district.

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¶9. (SBU) Ironically, as the concession was already granted in a law passed by the National Assembly, local agreement on the project is not required. The GOS and CZHT, however, do not want to move forward without local consent. Whether the CZHT will resort to a lawsuit on this issue remains to be seen, as the company has been party to the delay due to its reluctance to forge ahead without local consent.

¶10. (SBU) Comment. This case study underscores the complicated web of alliances and self-interests that tenuously bind the GOS and its coalition partners together, as well as the GOS's reluctance to make controversial decisions. The local community's vocal criticism of the A-Combination's politically-motivated flip-flop stance on the palm oil project - and skepticism over the party's (and the GOS's) motives - demonstrates that even the A-Combination's biggest names (and most heavy-handed political leaders) cannot foist a decision on constituents concerned with land rights, the environment, economic conditions and opportunity, and (more recently) the social and economic pressures generated by increased Chinese migration to Suriname. In the larger context, the project's delay risks raising a range of potential concerns among future investors regarding the sanctity of contracts, the security of the investment climate, and the GOS's opaque - and often questionable - procedures for awarding investment contracts. With Suriname's biggest investment opportunities lying in natural resources and agriculture, foreign investors may prefer to seek greener pastures. END COMMENT

SCHREIBER HUGHES